

## THE ROLE OF NGOS IN AWARENESS OF THE PUBLIC PRIVATE PARTNERSHIP IN THE SOCIAL ECONOMY IN ROMANIA

### **Abstract**

Economic analysts of Romania launched in 2010 by Mediafax, one of the largest providers of general information and business in Romania, a news report that the financial crisis and global economic braking changed ranking of the largest economies in the world according gross domestic product (GDP) in dollars, and the recession has propelled China in the second position in the world at the expense of Germany and Japan.

Through this paper we highlighted a few issues that characterize contemporary Romanian society and propose a new vision for overcoming the limitations of approaches to influence the global economic crisis.

A first issue concerns the minimal impact it had in the Romanian economy to adopt the model that tended to be appropriated by the most developed countries of the world, namely knowledge-based competitiveness. Continuous innovation as the main engine of this model, brought a number of advantages but also huge risks.

The second issue concerns the adoption in 2010 by the Romanian Parliament of the law 178/2010 on public-private partnerships. The immediate consequences of this law and was a good argument for initiating this study.

Another issue concerns the social economy. Can it be made responsible for obtaining encouraging results from test "economic crisis"?

**Keywords:** social economy, NGOs, public-private partnership, PPP.

**JEL CODES:** H83, P49, L31.

## ROLUL ONG-URILOR ÎN CONȘTIENȚIZAREA IMPORTANȚEI PARTENERIATULUI PUBLIC PRIVAT ÎN ECONOMIA SOCIALĂ DIN ROMÂNIA

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### **Rezumat**

Analizii economici din România lansau în 2010 prin Agenția Mediafax, unul dintre cei mai mari furnizori de informație generală și de afaceri din România, o știre conform căreia criza financiară și frânarea globală a creșterii economice au modificat clasamentul celor mai mari economii ale lumii în funcție de Produsul Intern Brut (PIB) exprimat în dolari, iar recesiunea a propulsat China pe poziția a doua în lume în detrimentul Germaniei și Japoniei.

Prin prezenta lucrare aducem în atenție câteva aspecte care caracterizează societatea românească contemporană și propunem o nouă viziune pentru depășirea limitelor unor abordări cu influențe în criza economică mondială.

Un prim aspect se referă la impactul minim pe care l-a avut în economia românească adoptarea modelului ce tindea să fie însușit de cele mai dezvoltate state ale lumii, și anume competitivitate bazată pe cunoaștere. Inovarea continuă, ca motor principal al acestui model, a adus o serie de avantaje dar și imense riscuri.

Al doilea aspect se referă la adoptarea în 2010 de către Parlamentul României a legii 178/2010 privind parteneriatele public-private. Consecințele imediate ale acestei legi sau fost un bun argument pentru inițierea prezentului studiu.

Un alt aspect se referă la economia socială. Poate fi făcută aceasta responsabilă de obținerea de rezultate încurajatoare la testul "criza economică"?

**Cuvinte cheie:** client, gestiune, entitate economică.



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## 1. INTRODUCTION

The study is based on a research report prepared by the Ministry of Labour, Family and Social Protection of Romania in a project funded by European Social Fund (ESF) Operational Programme Human Resources Development 2007-2013 (SOP HRD), Priority Axis 6 "Promoting Social Inclusion" area of intervention 6.1 "Social Economic Development and published on its website in late February 2010.

Another source of documentation and information was the website of National Revenue (Ministry of Labour, Family and Social Protection, n.d.) which provides a database for consultation with all the public private partnership in Romania (PPP).

To determine how the Romanian non-governmental organizations (NGOs) involved in economic and social problems in Romania, we applied a questionnaire as part of another project co-funded by ESF-SOP (Ministry of Finance, NAFA website, n.d.). The results obtained from the questionnaire were made public on the website of the Faculty of Public Administration and Management ([www.amp.ase.ro](http://www.amp.ase.ro)) of the Academy of Economic Studies (Administration and Public Management Faculty, n.d.).

Aspects of the role of NGOs in awareness of PPP in the social economy (SE) of Romania were discussed at a three-week internship for students FAMP-ESA held at the National Association of Technicians, Experts and Researchers in the Public Interest General of Romania (ANTEC) (ANTEC Romania, n.d.).

## 2. STATUS OF THE SOCIAL ECONOMY IN ROMANIA

Romanian law, the term first appears in ES GD 829/2002 on the approval of the national anti-poverty and social inclusion (Anti-Poverty Plan). Regulatory Act, as amended and supplemented, defines strategic objectives in the medium-long (2002 - 2012) and immediate (2002-2004). In the medium-term objectives - lung112, ES is mentioned as one of the principles aimed at building an inclusive society. The regulation includes a definition of ES113 by two types of intervention.

The first type refers to economic activities, in the alternative, and provided to maintain economic performance, including such social objectives. This category of activities are quite close to the current sense of the term of HE in Europe. However, it does not cover priority focus on social activities together in the alternative economic activities. Thus are excluded, for example, the activities of associations and

foundations (non-profit organizations active in broad social) that income generating activities which are widely recognized in European countries, like making activities from the ES.

The second type of activities is the launch of large ES programs and local infrastructure facilities, including environmental. Investments in these areas can be both economic investment (part of the country's economic development) and proper social investment in infrastructure, quality of life (schools, hospitals etc.). The formulation is general and inaccurate, since such programs or investments can be made in a wide variety of forms, seeking to be only economic objectives or social objectives only, which excludes the ES. But that definition shall be construed in conjunction with the provisions on the role of ES in the social field. It looks like that ES should be organized so that, without lowering the actual economic performance, to become an instrument of social integration, prevention of social exclusion and poverty, combining the principles of economic policy with social policy principles. This provision emphasizes practical bivalent character, social and economic activities of ES specific concept.

After establishing the basis for ES development in Romania, documents major role in promoting social inclusion not mention HE by 2008. Thus, in 2005, jointly signed the Memorandum on social inclusion for Romania, which identified "challenges in addressing poverty and social exclusion, presents the major policy measures taken by Romania, by agreement, to begin implementation of the EU common objectives, policies national and identifies the main methods for future monitoring and policy review "114. While ES had already been referred to as innovative tool in combating poverty and social exclusion in GD 829 / 2002 on the approval of the national anti-poverty and social inclusion, as amended and supplemented, the concept of ES is not in the Memorandum. But taking into account that the two documents is completed, it is understood that ES retains the importance assumed by the first act. The next document of strategic importance in the field of social inclusion is actually a development of GD 829/2002. In order to achieve the objectives assumed by Romania on combating poverty and promoting social inclusion, GD 1827 / 2005 on the approval of the implementation of the National Anti-Poverty and Social Inclusion (Anti-Poverty Plan) for the period 2006-2008. Neither this document does not include specific provisions on the ES, which could be interpreted as failure to take account of the ES as a priority for the period 2006-2008.

ES is explicitly general attention in 2008 when receiving a second definition in the Romanian legislation, with its inclusion as an area eligible for ESF funding: ES is supported as a key area of Human Resources Development Operational Programme, whose Document Implementation Framework is approved by Order of the Minister of Labour, Family and Equal Opportunities and the Ministry of Economy and Finance 254 / 1169 / 2008. In the document, ES is defined as "the generic term used to

refer to a group of people who come together to take an active economic role in the process of social inclusion, for example. cooperatives, social enterprises, NGOs (foundations and associations) and other nonprofit organizations that have an important role in managing and building activities. " Although in principle with the spirit of definitions and principles in European documents on ES, the above definition requires some comments terminology. The notion of "social enterprises" should be understood only as an example of good practices in legislation of other countries, this category is not currently regulated in Romania. Reference to management and consolidation activities is general and incomplete: not understand the subject of such activities and the general type of activity, it is noted that any nonprofit organization and management activities may propose to help strengthen any legitimate field and moral, but this is not enough to be considered as ES.

This definition refers only to activities that directly contribute to social inclusion, which is a narrower approach than that generally found in Europe, where HE area includes social activities in a broad sense, as in the case, For example, the credit cooperatives. Meaning of the document that explains Romanian but in that definition that is developed under a financing instrument that is very social inclusion priority, ES is seen as one means of achieving this. However, this narrow interpretation of the concept should not be generalized, but as an operational definition, applicable only in case funding program. Moreover, the definition in question has limited applicability in time, since it includes the enactment relates only to Human Resources Development Operational Programme 2007-2013.

In September 2008, another major document ES brings to Romania with the Romanian state assumption of clear commitments on the development of this sector in our country. On that date, the Romanian Government approved the report submitted to the National Strategy for Social Protection and Social Inclusion (RNS PSIS) which states that "development of the ES may be the first step for an efficient economy and to interact with a dynamic economy based on social justice "115. The report defines key elements designed to help strengthen ES: identifying the main directions of development of Romanian legislation on ES, encouraging and supporting their initiatives in this area through the establishment of resource centers, training of specialists in areas relevant to ES, a national promotion concept and examples of good practice. Thus, we can say that ES in Romania benefits from September 2008, a coherent and comprehensive set of measures taken by the competent authorities to develop this sector effectively.

It appears clear that there is official action taken by the Romanian state to develop this sector, but only in the ES as a tool for social inclusion and combating poverty. ES activities that do not meet this role - in fact recognized at European level - are not expressly included in any legislation, but they are not

prohibited or limited by existing provisions. The result of this situation is that these activities can be undertaken, subject, of course, other legal provisions, but they are not currently promoted, supported and encouraged by the acts or explicit mechanisms to support ES in Romania. It is necessary to supplement the legal provisions so that the definition be expanded ES and other forms than those which directly contributes to social inclusion, according to accepted European principles as the foundation of ES, in the context of social and economic coordination.

### 3. FORMS OF ORGANIZATION OF SOCIAL ECONOMY IN ROMANIA

The current legal framework in Romania ES defines its extent and scope by taking over some of the principles recognized in Europe, so that Romania can identify the following specific categories of legal persons ES:

- a) non-profit organizations engaged in economic activities, regardless of the activity,
  - within them or
  - by companies;
- b) non-profit organizations organized as CAR
  - of pensioners;
  - employees;
- c) credit cooperatives;
- d) a degree cooperative societies regulated by Law 1 / 2005:
  - handicraft cooperative societies;
  - consumer cooperative societies;
  - cooperative recovery;
  - agricultural cooperative, benefits from special legislation, the
  - regulated by Law 566 / 2004 of the agricultural cooperatives, as amended and supplemented;
  - housing cooperative;
  - fishery cooperative societies;
  - transport cooperative societies;

- forest cooperative societies;
- cooperative societies and other forms.

#### 4. STATUS OF PUBLIC PRIVATE PARTNERSHIP IN ROMANIA

In Romania the first structures of public-private partnership (PPP) formed ad-hoc national level since the mid '90s in the drawing up of national or sectoral strategies (National Sustainable Development Strategy - 1999 Economic Development Strategy Medium Term - 2000), as well as institutional structure, such as the Tripartite Commission and Economic and Social Council. These partnerships have helped gradually to achieve an environment of cooperation between social actors and the policy although often played and still plays the role of legitimacy of political action, being less involved in decision making and policy monitoring.

It is also common forms of public-private partnership between the state and local partners in infrastructure works, such as Vivendi project (privatization of water distribution) in Bucharest. Partnership structures are also analyzed to guide and not those set nationally. In the last two years, local authorities in Romania have begun to partner with the private sector and civil society to achieve the investment in infrastructure and operation of local public services.

This new orientation, which also is part of a general trend throughout Europe (Vlasceanu, 2010), mostly taken advantage of that, in principle, it involves a public-private partnership, namely: cost sharing of an investment, the risks of exploitation it and partly by the lack of local public administration for investment. On the other hand, expanding forms of public-private partnership in Romania is due to the new regulations were issued by the Government since 2002 and allowed local authorities to know this new funding opportunity for local development, even if opportunities it generates are not yet fully estimated because of lack of practice.

Today, public-private partnership is considered a contractual arrangement between a public and private sector companies belonging (Capata and Haidu, 2009). With this understanding, skills and assets of each sector (public and private) are shared to deliver a service or facility of public interest. In addition to pooling of resources, both parties share risks and rewards derived from delivering these services or facilities.

As the advantages of PPP can be considered: improving efficiency, quality of services delivered, using strengths of each sector, reducing the risk of development, improvement costs, sharing resources and risks.

Local contribution to a PPP may take the form of capital investment, transfer of assets or other commitments or contributions in kind, which can support the partnership, local authorities are also social responsibility, environmental protection, knowledge regarding the local environment, but and the ability to obtain political support.

Regarding private sector partners that have experience in trading activities, management, operation and innovation and business to run effectively, it can also help with capital investment, according to the form contract.

In the PPP regulations in Romania in 2006 the government issued Government Emergency Ordinance no. 34 regulating the award of procurement contracts, public works concession and services concession contracts and related legislation, aimed at harmonization with European legislation.

In 2010 the Romanian Parliament issued Law 178/2010 on public-private partnerships and detailed rules for implementing it. Thus, the law governing public-private projects, which is made wholly or partly with their own financial resources or attracted by the investor, based on public-private partnership model, which will result from a public good or service.

Projects that have the objective law of public concern: the design, financing, construction, rehabilitation, modernization, operation, maintenance, development and transfer of public service after. The law defines two parts, namely the public partner and private investors.

The law establishes a procedure for concluding including PPP after initiation of public-private partnership project by publishing notice of intent by the public partner, the authority is required to publish notice in the ESPP for higher value of 125,000 euros excluding VAT and in the Official Journal of the European Union if the contract value exceeds 4.845 million by the end of public-private partnership contract. Other features provided by PPP law are: the public institution conducting a feasibility study, preliminary analysis and selection of private investors, prior to conclusion of the project is borne by the public partner, negotiating the stage by public authority carried out consultations with private investors select and negotiate contract terms, including investment value and duration of the PPP contract and legal procedures for setting up the project company as a company resident in Romania in order to achieve public-private partnership contract, after the conclusion of the contract public-private partnership.



According to NAFA, so far, Romania has achieved 40 PPP projects in 6 areas as follows:

TABLE 1 - NUMBER OF PPP PROJECTS BY SECTOR

Sector	Number of projects by sector
Waste	8
Tourism and recreation infrastructure	1
Energy	2
IT	2
Bridges	1
Airports	4
Transport Projects	1
Transport infrastructure, parking	9
Sewerage	5
Roads and highways	4
Electricity	3

Source: Ministry of Finance, NAFA website, n.d.

Depending on the location of these projects are distributed as follows:

Of the 40 projects 14 are contracts in progress, 13 are in phase projects are canceled prelicitatie 11 and two stage tender.

## 5. THE ROLE OF NGOS IN THE SOCIAL ECONOMY IN ROMANIA

In a project financed by the ESF through HRD was applied a questionnaire that aimed to identify partners to carry out specific actions of the social economy. The questionnaire was launched online and have sent requests to all county councils (CJ), County School Inspectorates (CSI) teacher resource (CCD), the county centers of education support resources (CJRAE), county welfare departments and Child Protection (DJASPC), public social services in the Mayor (SPAS) and non-governmental organizations (NGOs).

Most responses were received from NGOs which shows the maturity of these forms of organization in Romania.

ANTEC Romania is one such organization held by its members frequently debate about the social situation in Romania and economică. ANTEC (National Association of Technicians, Experts and Researchers in Public Services of General Interest) has the mission of promoting the professional interests of technicians, researchers and experts working in the public services of general interest, through a sustained and responsible contribution to the development and improvement general public



services, while supporting local and central public authorities, operators and users to improve quality and safety of public services.

The fundamental objectives of the association aimed at the development, improve public services of general interest and improve the efficiency of operators of these services, promoting and maintaining practical cooperation on scientific and other associative structures similar object of activity in the country and abroad as well as training of technicians, experts and researchers in the public services of general interest, given the scientific collaboration with all the legal persons engaged in services of general interest.

A major piece of this organization took place from 8 to 9 October 2010 in Bucharest. That was organized for the first time in Romania International Scientific Symposium "Journée d'Études en matière des alternatives compétitives" organized by the Academy of Economic Studies of Bucharest, in partnership with the University of Artois D'Arras, France, an event supported by ANTEC Romania and SC Apa Nova Bucharest SA

In the discussions were presented as the results of applied research and the specific fundamental research. During the event was organized a workshop on "Role of public-private partnerships to increase efficiency and quality of services of general interest".

## 6. CONCLUSIONS

Today we can say that the social economy of Romania is based on principles of solidarity and individual involvement in the process of active citizenship. The new PPP law provides a framework to enable the emergence of new enterprises and new forms of work that would generate quality jobs and a better standard of living. Theoretically, the social economy is still forming new attitudes that contribute to a higher order social consciousness and play an important role in local development and democracy factor contributing to market stability and economic pluralism. Even if the legal social economy varies from country to country, they appropriate the European Union priorities and strategic objectives such as social cohesion, full employment, fight against poverty, participatory democracy, better governance and sustainable development.

However, the social economy is in fact but not in law. Failure to give a precise definition and uniform due to national and regional diversity of approaches in the Member States of the EU and candidate countries should not impede our progress and economic development. It can enhance the action of the social economy and without the existence of a universally accepted definition of it. In fact we believe that if there is such diversity in Europe in terms of social economy, it is a richness, not an obstacle.

Based on the characteristics of social enterprises are different from companies based on the supremacy of individual equity and social objectives to capital, voluntary and open membership, democratic control by members, combining the interests of members, users and / or interest, defense and the principle of solidarity and responsibility, autonomous and independent management of public authorities and that the surplus is used to contribute to sustainable development objectives, members and services of interest to general interest services, today we consider appropriate promotion by default active involvement of NGOs and even developer promoting the social economy.

NGOs can be involved in various ways such as:

- Training courses and training for employees, the benefit is for both employers and the business itself (ie, employers).
- Initiative sporting, cultural, and educational and encouraging employees to voluntarily participate in community activities.
- Campaigns to promote environmental conservation activities, such as energy efficiency, pollution prevention, waste reduction, recycling.

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